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CANADA MALTING CO.
LIMITED



ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1966

ANNUAL REPORT

CANADA MALTING CO., LIMITED

Board of Directors

DOUGLAS W. AMBRIDGE, C.B.E., B.Sc.

JOHN P. HEIGHTON

NIGEL B. BAIRD

GORDON McMILLAN, Q.C.

ERIC S. CLARKE

GEORGE H. SELLERS

HARRY F. GRAESSER

REGINALD J. THOMAS

W. DOUGLAS HATCH

GEORGE T. VALENTINE

Officers

| | |
|-------------------------------|--------------------------------------|
| ERIC S. CLARKE | CHAIRMAN AND CHIEF EXECUTIVE OFFICER |
| GEORGE T. VALENTINE | PRESIDENT |
| HARRY F. GRAESSER | VICE-PRESIDENT AND GENERAL MANAGER |
| STANTON J. BURKETT | VICE-PRESIDENT — SALES |
| REGINALD J. THOMAS | SECRETARY AND COMPTROLLER |
| WALTER W. COMBER | TREASURER |

Transfer Agent

CANADA PERMANENT TRUST COMPANY

TORONTO, ONTARIO - - - MONTREAL, QUEBEC

Registrar

MONTREAL TRUST COMPANY

TORONTO, ONTARIO - - - MONTREAL, QUEBEC

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF
CANADA MALTING CO., LIMITED

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1966

The Board of Directors submits herewith the Annual Report of your Company together with the Financial Statements for the twelve months ended December 31, 1966, with the Report thereon by the Auditors of the Company, Price Waterhouse & Co.

Including income from investments, net earnings for the year were \$1,606,109, which equals \$1.86 per share as against 1965 net earnings of \$1,370,044, or \$1.59 per share. The improvement in profits reflects a substantial increase in both domestic and export shipments, which in total surpassed all previous records of the Company.

Your plants and properties have been maintained in good condition. Capital expenditures for the year amounted to \$142,836.

Your Directors have approved the building of an addition to the Calgary malthouse at an estimated cost of \$1,250,000. The contract has been awarded, and this addition should be completed by December 31, 1967.

In accordance with the Baird Purchase Agreement, we now receive full dividends from our investment in Hugh Baird & Sons, Limited. All their plants are working to capacity, and to date sales have been made to cover full production.

By Law #21, which you will be asked to sanction at the Annual Meeting, was enacted by your Board on July 26, 1966, to allow for the appointment of Vice-Presidents who are not necessarily Members of the Board.

Your Directors are very pleased to acknowledge the co-operation of all employees who have contributed in the success of the Company during the year under review.

On behalf of the Directors,

GEORGE T. VALENTINE,
President

CANADA MALT

BALAN

ASSETS

| | December 31 | |
|---|-----------------------|----------------------|
| | <u>1966</u> | <u>1965</u> |
| CURRENT ASSETS: | | |
| Cash | \$ 2,300 | \$ 2,300 |
| Marketable securities, at cost (Quoted market value 1966 — \$2,127,184 1965 — \$2,602,563) | 263,994 | 256,274 |
| Trade accounts receivable, less allowance for doubtful accounts | 3,886,228 | 2,814,685 |
| Inventories: Malt, barley, etc., valued at the lower of approximate cost or market Operating supplies, at not in excess of cost | 10,776,377 269,165 | 8,619,221 264,036 |
| | 15,198,064 | 11,956,516 |

OTHER ASSETS:

Investment in and advance to Hugh Baird & Sons, Limited (50% owned):

| | | |
|--|-----------|-----------|
| Investment in shares, at cost | 2,499,484 | 2,499,484 |
| Advance | 600,000 | 600,000 |
| Prepaid insurance, taxes, etc. | 123,493 | 121,881 |
| Grain Exchange Seats and Memberships in Clearing Associations, less amounts written off | 1 | 1 |
| Special refundable tax | 75,350 | — |
| | 3,298,328 | 3,221,366 |

FIXED ASSETS, at depreciated replacement values on February 28, 1955 as reported by Canadian Appraisal Company Limited, plus subsequent additions at cost:

| | | |
|---------------------------------------|--------------|--------------|
| Land | 547,559 | 547,559 |
| Buildings, plant and equipment | 25,941,913 | 25,799,077 |
| | 26,489,472 | 26,346,636 |
| Less — Accumulated depreciation | 10,873,433 | 9,787,573 |
| | 15,616,039 | 16,559,063 |
| | \$34,112,431 | \$31,736,945 |

G CO., LIMITED

SHEET

LIABILITIES

| | <u>December 31</u> | |
|---|--------------------|-------------|
| | <u>1966</u> | <u>1965</u> |
| CURRENT LIABILITIES: | | |
| Bank advances | \$ 1,756,598 | \$ 187,658 |
| Accounts payable and accrued | 1,406,362 | 1,178,666 |
| Taxes on income | 1,073,981 | 1,025,002 |
| | 4,236,941 | 2,391,326 |
| DEFERRED INCOME TAXES | 716,650 | 929,000 |
| SHAREHOLDERS' EQUITY: | | |
| Capital Stock: | | |
| Authorized — | | |
| 101,028 4½ % Cumulative redeemable preferred shares of a par value of \$26 each | | |
| 1,200,000 Common shares without nominal or par value | | |
| Issued — | | |
| 863,888 Common shares | 5,099,665 | 5,099,665 |
| Earnings employed in the business, per statement attached | 9,230,499 | 8,488,278 |
| | 14,330,164 | 13,587,943 |
| Excess of appraised value of fixed assets over depreciated book value on February 28, 1955 | 14,828,676 | 14,828,676 |
| | 29,158,840 | 28,416,619 |

Approved on Behalf of the Board:

ERIC S. CLARKE, *Director*GEORGE T. VALENTINE, *Director*

\$34,112,431 \$31,736,945

CANADA MALTING CO., LIMITED

STATEMENT OF EARNINGS

| | Year ended December 31 | |
|---|------------------------|---------------------|
| | 1966 | 1965 |
| Net Sales | \$30,715,082 | \$27,693,611 |
| Costs and expenses: | | |
| Cost of products sold and all expenses except the items shown below | 26,439,291 | 23,924,929 |
| Provision for depreciation | 1,089,950 | 1,034,290 |
| | <u>27,529,241</u> | <u>24,959,219</u> |
| Earnings from operations | 3,185,841 | 2,734,392 |
| Investment and other income | <u>185,268</u> | <u>110,652</u> |
| | 3,371,109 | 2,845,044 |
| Provision for income taxes | <u>1,765,000</u> | <u>1,475,000</u> |
| Net earnings for the year | <u>\$ 1,606,109</u> | <u>\$ 1,370,044</u> |

NOTES: Depreciation recorded in the accounts for 1966 exceeds the amount deductible for tax purposes. The resulting income tax of \$212,350 in excess of the 1966 provision has been charged against the deferred income taxes set aside for that purpose in prior years.

Cost of products sold and expenses includes remuneration of salaried directors and directors fees of \$161,704 in 1966 and \$160,587 in 1965.

STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

| | Year ended December 31 | |
|--|------------------------|---------------------|
| | 1966 | 1965 |
| Balance at beginning of year | \$ 8,488,278 | \$ 7,895,733 |
| ADD—Net earnings for the year | <u>1,606,109</u> | <u>1,370,044</u> |
| | 10,094,387 | 9,265,777 |
| DEDUCT—Dividends paid on common shares | <u>863,888</u> | <u>777,499</u> |
| Balance at end of year | <u>\$ 9,230,499</u> | <u>\$ 8,488,278</u> |

CANADA MALTING CO., LIMITED

To the Shareholders of
Canada Malting Co., Limited:

We have examined the balance sheet of Canada Malting Co., Limited as at December 31, 1966 and the statements of earnings and earnings employed in the business for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants.

Toronto, Ontario
February 23, 1967.

CANADA MALTING CO., LIMITED

Malthouses and Elevators

Montreal, Que.

Winnipeg, Man.

Toronto, Ont.

Calgary, Alta.

Port Arthur, Ont.

Head Office

TORONTO - ONTARIO

